

AUDIT REPORT

ELM BEND WATER DISTRICT, INC.
NOWATA COUNTY, OKLAHOMA

JUNE 30, 2021



April Adams CPA PLLC
PO Box 1355
Ponca City, Oklahoma 74602
Phone: (580) 762-1040
Fax: (580) 762-1047

ELM BEND WATER DISTRICT, INC.
NOWATA COUNTY, OKLAHOMA
JUNE 30, 2021

Table of Contents

	<u>Page</u>
Introductory Section:	
Board of Directors (Unaudited).....	3
Independent Auditor's Report.....	4-6
Basic Financial Statements:	
Exhibit A - Statement of Net Position	7
Exhibit B - Statement of Revenues, Expenses, and Changes in Net Position	8
Exhibit C - Statement of Cash Flows	9
Notes to the Financial Statements	10-15
Report Required by <i>Government Auditing Standards</i> :	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16-17

ELM BEND WATER DISTRICT, INC.
NOWATA COUNTY, OKLAHOMA
JUNE 30, 2021

BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>	<u>TERM EXPIRATION</u>
GARY KULCHINSKI	CHAIRMAN	NOVEMBER 2024
JIM BELL	VICE-CHAIRMAN	NOVEMBER 2024
JENIFER PIERCE	SEC/TREASURER	NOVEMBER 2022
CARL GIBSON	MEMBER	NOVEMBER 2022
CHARLIE DRAKE	MEMBER	NOVEMBER 2023

April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

Phone: (580) 762-1040

Fax: (580) 762-1047

Email: cpa@apriladamscpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Elm Bend Water District, Inc.
Nowata County, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of Elm Bend Water District, Inc., as of and for the fiscal year ended June 30, 2021, as listed in the table of contents and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the

April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

Phone: (580) 762-1040

Fax: (580) 762-1047

Email: cpa@apriladamscpa.com

entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Elm Bend Water District, Inc., as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

The introductory section listed in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the District. Such additional information has not been subjected to the auditing

April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

Phone: (580) 762-1040

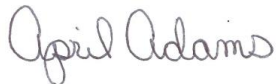
Fax: (580) 762-1047

Email: cpa@apriladamscpa.com

procedures applied in my audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 17, 2023, on my consideration of the Elm Bend Water District, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Elm Bend Water District Inc's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Elm Bend Water District, Inc.'s internal control over financial reporting and compliance.



April Adams CPA PLLC
Ponca City, Oklahoma

February 17, 2023

ELM BEND WATER DISTRICT, INC.
 NOWATA COUNTY, OKLAHOMA
 STATEMENT OF NET POSITION
 JUNE 30, 2021

<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash in Bank - Operations & Maintenance	\$ 2,156
Cash in Bank - Revenue Acct	14,963
Certificate of Deposit - Expansion Acct	53,403
Accounts Receivable	24,794
Accounts Receivable - Other	12,344
Accrued Water Sales	35,994
Prepaid Expenses	2,827
Total Current Assets	146,480
<u>Capital Assets:</u>	
Water Distribution System & Equipment	1,888,858
Less: Accumulated Depreciation	(846,122)
Total Capital Assets	1,042,737
TOTAL ASSETS	\$ 1,189,217
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Accounts Payable	\$ 30,342
Total Current Liabilities	30,342
<u>Long-Term Liabilities:</u>	
Notes Payable	-
TOTAL LIABILITIES	30,342
<u>NET POSITION</u>	
Net investment in capital assets	1,042,737
Restricted for debt service	-
Unrestricted	116,139
TOTAL NET POSITION	1,158,875
TOTAL LIABILITIES & NET POSITION	\$ 1,189,217

The accompanying notes are an integral part of the basic financial statements.

**ELM BEND WATER DISTRICT, INC.
NOWATA COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Operating Revenues:

Water Sales	\$ 334,296
Membership Income (Extensions Granted)	27,350
Penalty Income	3,342
Other Income	4,240
Total Operating Revenues	369,228

Operating Expenses:

Water Purchased	224,383
Chemicals	404
Testing	4,324
Management Fees	73,142
Repairs & Maintenance	21,004
Professional Fees	-
Director Stipend	1,500
Membership Dues & Fees	932
Utilities	8,380
Insurance	3,338
Depreciation	37,174
Other Miscellaneous Expenses	1,835
Total Operating Expenses	376,416
Operating Income (Loss)	(7,188)

Non-Operating Revenues (Expenses):

Interest Income	531
Interest Expense	-
State Funds for Highway 60 Project	52,344
Total Non-operating Revenues (Expenses)	52,875

Net Income (Loss) Before Contributions 45,687

Capital Contributions	-
Change in Net Position	45,687
Total Net Position - Beginning	1,113,189
Total Net Position - Ending	\$ 1,158,875

The accompanying notes are an integral part of the basic financial statements.

ELM BEND WATER DISTRICT, INC.
 NOWATA COUNTY, OKLAHOMA
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<u>Cash Flows from Operating Activities:</u>	
Cash Receipts from Customers	\$ 333,089
Other Cash Receipts	-
Payments to Suppliers & Laborers	<u>(334,068)</u>
Net Cash Provided (Used) by Operating Activities	<u>(979)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Additions/Deductions to Capital Assets	(60,319)
Capital Contributions	52,344
Principal paid on Debt	-
Interest paid on Debt	<u>-</u>
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(7,975)</u>
<u>Cash Flows from Investing Activities:</u>	
(Increase)Decrease in Investments (CDs)	(514)
Interest Income Received	<u>531</u>
Net Cash Provided (Used) by Investing Activities	<u>17</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(8,937)
Cash & Cash Equivalents, Beginning of Year	<u>26,056</u>
Cash & Cash Equivalents, End of Year	<u><u>\$ 17,119</u></u>
<u>Reconciliation of operating income (loss) to net cash provided</u>	
<u>operating activities:</u>	
Operating Income (Loss)	\$ (7,188)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	37,174
(Increase)Decrease in Accounts Receivable	(36,139)
(Increase)Decrease in Prepaid Expenses	496
Increase(Decrease) in Accounts Payable	<u>4,678</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (979)</u></u>

The accompanying notes are an integral part of the basic financial statements.

ELM BEND WATER DISTRICT, INC.
NOWATA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Elm Bend Water District, Inc. (the District) was created under the provisions of the laws of the State of Oklahoma. The activities of the District constitute the entire reporting entity. There are no component or oversight units. The purpose of the water district is to provide for the use and benefit of its members a water distribution system, operations and maintenance.

B. Basis of Presentation

The accounts of the District are organized on the basis of proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net assets, revenues and expenses. Enterprise Funds account for activities (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (3) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The District uses the accrual basis of accounting, which is in accordance with U.S. generally accepted accounting principles. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Budgetary Data

In accordance with the By-laws of the District, an annual budget is prepared for internal bookkeeping purposes.

ELM BEND WATER DISTRICT, INC.
NOWATA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

E. Financial Position

Cash & Cash Equivalents

For the purpose of financial reporting, "cash & cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments

Investments classified in the financial statements consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value. As of June 30, 2021, the District had money invested in one certificate of deposit with a balance of \$50,848.82. The certificate of deposit held at Regent Bank is reserved for expansion expenses.

Capital Assets

The District depreciates all of its water systems at the rate of 2% per year. The computer and office equipment are being written off at a rate of 20% per year. Purchases of capital items in excess of \$300.00 for water system additions and \$1,000.00 for equipment additions that increase the capacity or operation efficiency or extend the useful life of any asset are capitalized. Repairs and maintenance are expensed as incurred.

Long-Term Debt

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of various debt issues.

Equity Classification

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding

ELM BEND WATER DISTRICT, INC.
NOWATA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.

2. Restricted — Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted - Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

F. Revenues, expenditures & expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

NOTE 2 - CASH AND INVESTMENTS

Custodial Credit Risk

At June 30, 2021 the District held deposits of approximately \$70,522 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

ELM BEND WATER DISTRICT, INC.
NOWATA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Investment Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

Concentration of Investment Credit Risk

The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 100% in CDs (\$53,403).

ELM BEND WATER DISTRICT, INC.
NOWATA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 - CAPITAL ASSETS

Capital asset activity, for the fiscal year ended June 30, 2021, was as follows:

	Balance at June 30, 2020	Additions	Deductions	Balance at June 30, 2021
Office Equipment	\$ -	\$ -	\$ -	\$ -
Water System	1,828,539	60,319	-	1,888,858
Subtotal	1,828,539	60,319	-	1,888,858
Less: Accum. Depr.	(808,948)	(37,174)	-	(846,122)
Total Capital Assets (Net of Depreciation)	<u>\$ 1,019,592</u>	<u>\$ 23,145</u>	<u>\$ -</u>	<u>\$ 1,042,737</u>

NOTE 4 - LONG-TERM DEBT

The District currently has no long-term debt.

NOTE 5 - CONTINGENCIES

Litigation

According to management there were no known contingent liabilities at June 30, 2021, which would have a material effect on the financial statements.

Grant Program Involvement

In the normal course of operations, the District participates in various federal or state/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE 6 - WATER SUPPLY

Elm Bend Water District, Inc. purchases its water from the City of Nowata.

NOTE 7 - WATER RATES

As of June 30, 2021 the water rates were as follows:

Minimum \$15.00 (zero water usage)
\$9.84 per 1,000 gallons of water usage

ELM BEND WATER DISTRICT, INC.
NOWATA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

The charge for new membership units is \$4,000.

NOTE 8 - DIRECTORS' FEES

The by-laws of the District were amended during the November 9, 1989 general membership meeting to include a cash disbursement of \$25.00 to each member of the Board for attendance at each regularly scheduled meeting of the Board and to reimburse each member of the Board for travel expenses incurred while attending upon necessary business of the Corporation. This expense is shown as directors' stipend.

NOTE 9 - INSURANCE

The District maintains the following insurance coverage through OWRA Assurance Group:

- Auto Liability
- Property Coverage
- Comprehensive General Liability
- Errors or Omissions
- Employment Related Practices Liability
- Employee Dishonesty and Crime Coverage

NOTE 10 - SUBSEQUENT EVENTS

The District did not have any subsequent events through February 17, 2023, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2021.

April Adams CPA PLLC
PO Box 1355
Ponca City, Oklahoma 74602
Phone: (580) 762-1040
Fax: (580) 762-1047
Email: cpa@apriladamscpa.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

To the Board of Directors
Elm Bend Water District, Inc.
Nowata County, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Elm Bend Water District, Inc., as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued my report thereon dated February 17, 2023. Management has omitted the MD&A required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Elm Bend Water District, Inc.'s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Elm Bend Water District, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Elm Bend Water District, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

April Adams CPA PLLC
PO Box 1355
Ponca City, Oklahoma 74602
Phone: (580) 762-1040
Fax: (580) 762-1047
Email: cpa@apriladamscpa.com

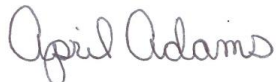
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Elm Bend Water District, Inc.'s financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



April Adams CPA PLLC
Ponca City, Oklahoma

February 17, 2023